

SB 715: Maryland Highway Safety Act of 2013 Talking Points on Uninsured Motorists

POPULATIONS STATUTORILY PRECLUDED FROM LICENSURE CONTINUE TO DRIVE AND THEY DO SO WITHOUT AUTO INSURANCE OR KNOWING THE RULES OF THE ROAD

- According to the Pew Hispanic Trust, we have more than 275,000 undocumented residents in Maryland.
- Without a license, a driver is ineligible for automobile insurance.
- Unlicensed drivers are almost five times more likely to be in a fatal crash, and nationwide 20 percent of all accidents are caused by uninsured drivers resulting in over \$4.1 billion in insurance losses per year.
- Maryland drivers are required by law to include uninsured motorist provisions in their auto policies (and nationally, it is estimated that the average cost increase for auto insurance policies to pay for accidents with uninsured motorists is around \$116 per year per driver.
- Uninsured motorists also get into accidents with people – bicyclists, pedestrians, etc. – who are not required to carry auto insurance. In those cases, MAIF, otherwise known as state dollars, covers the claim. In 2007, MAIF paid out a little more than 2.3 million in claims. Importantly, this is down from 2004, when 4.2 million was paid out. In those 3 years, advocates have forced the MVA to improve their licensure system for immigrants. The 2009 ban on undocumented immigrants licensure has only reversed this trend.

What's the Research:

Study

2011 Report on Uninsured Motorists by the Insurance Research Council.

Methodology

Claim frequencies measure the number of insurance claims per number of insured cars, often expressed as the number of claims per hundred insured vehicles. A ratio of the **uninsured motorist (UM)** claim frequency to the **bodily injury (BI)** claim frequency produces an estimate of the percentage of uninsured drivers. The UM to BI ratio is one of many tools used to analyze the uninsured motorists issue.

Critical Points

- I. Motorists who forgo purchasing insurance create potential problems for insurers, regulators, and other drivers.

- a. Insured drivers not only pay for their own insurance, but they also pay for uninsured motorists (UM) coverage and a portion of the costs incurred by drivers without auto liability insurance.¹
 - b. Costs associated with UM claims can be substantial. In 2007, the average UM claim included \$9,541 in economic losses due to auto injuries and an average total UM injury payment of \$11,000, not including payments for property damage.²
- II. Laws and regulations enacted by state legislatures and regulators attempting to address the issue of uninsured motorists require resources that could otherwise be used elsewhere, and auto insurance companies that must comply with these regulations must also absorb the cost of underwriting UM coverage and processing UM claims.
- a. Uninsured motorists create a public policy problem regarding the extent of potential harm caused to others on roadways and the risks that others must face and account for because of them.
- III. Maryland was found to be one of 11 states including the District of Columbia with the highest percentage of uninsured drivers.³ This is derived from the finding that Maryland's ratio of the **uninsured motorist (UM)** claim frequency to the **bodily injury (BI)** claim frequency, which produces an estimate of the percentage of uninsured drivers, was one of the 11 highest rates in the country.⁴

¹ If an insured driver has injuries from an auto accident caused by an at-fault driver, they file a bodily injury (BI) claim against the at-fault driver and seeks compensation for injuries from the accident. However, if the at-fault driver does not have liability insurance or the injured person is a victim of a hit-and-run driver, the injured party relies on his or her own UM coverage to pay for the injury and property damage costs incurred.

² Insurance Research Council, *Auto Injury Insurance Claims; Countrywide Patterns in Treatment, Cost, and Compensation* (Malvern, Pa.: Insurance Research Council, 2008), pg. 40.

³ Claim frequencies measure the number of insurance claims per a number of insured cars, often expressed as the number of claims per hundred insured vehicles. A ratio of the uninsured motorist (UM) claim frequency to the bodily injury (BI) claim frequency produces an estimate of the percentage of uninsured drivers.

⁴ See UM an BI Claim Frequency Distribution 2010 figure, Insurance Research Council, *Uninsured Motorists*, 2011 Edition, p. 12

- IV. The high number of uninsured drivers may be strongly attributed to the number of undocumented drivers.
- Undocumented immigration may be an important factor in the uninsured motorist problem because undocumented immigrants often cannot obtain driving privileges and, therefore, are more likely to be uninsured if they do drive.⁵
 - Following a steady rise in illegal immigration from 2000 to 2007, the Pew Hispanic Center (a Pew Research Center project) estimates that the illegal immigrant population fell in 2008 and fell further in 2009.⁶ Large declines in the illegal immigrant population occurred in a number of states that also had a large decline in their respective UM to BI ratio.
 - In Maryland, there was a finding of a decline in the number of illegal immigrants as well as a decline in the number of uninsured drivers. Although an inference can be made that the reduction of uninsured drivers could have been affected by a decline in illegal immigration, it is still debatable as to whether the correlation is valid. However, it is valid to make both observations.⁷

UM and BI Claim Frequency Distribution 2010

		AZ, TN, MS, KY, AR, OH, OK, NM	CA, TX, NC, WA, NV, GA, MD, LA, DC, FL, RI
UM Claim Frequency	High > 0.15		
	Medium 0.07 to 0.15	NH, CO, WI	NJ, WV, VA, AK, MO, IN, IL
	Low < 0.07	ND, ME, SD, WY, KS, VT, MN, HI, NE, MI, ID, IA, MT	PA
			MA, NY
		Low < 0.75	Medium 0.75 to 1.00
			High > 1.00
		BI Claim Frequency	

⁵ Laws.com, "Driving Privileges," <http://immigration.laws.com/illegal-immigration/legal-rights/driving-privileges> (Accessed February 18, 2013).

⁶ Pew Research Center Publications, "Unauthorized Immigrant Population: National and State Trends, 2010," <http://pewresearch.org/pubs/1876/unauthorized-immigrant-population-united-states-national-state-trends-2010> (Accessed February 18, 2013)

⁷ See Figure 3-2 *Change in State Um to BI Ratios 2007 to 2009*. Insurance Research Council. Pg. 25